

Politicians have stacked the deck against cheap coal

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Nobody should believe what any Australian government minister tells them about energy.

Influencing politicians are self-interested lobbyists, and voters who have fallen for green falsehoods that the coal fired power stations that supply four fifths of our electricity are dirty and no longer needed. Many politicians have themselves drunk deeply from that Kool Aid.

Their policies have led the nation into an abyss of high electricity and gas prices, with uncertain reliability.

A few years ago Australia had the world's cheapest electricity and low cost gas. But Government programs stacked the deck against cheap coal-generated electricity and prevented the search for and development of new gas supplies.

We have just gone through two weeks of a conventional summer and, while the electricity supply had only minor outages, prices have doubled. That's what happens when supply is reduced.

The current crisis of high electricity prices and supply shortages stems from the closures of Hazelwood Power Station in Victoria and the Northern Power Station in South Australia. The Andrews and Weatherill State Governments assured us that those closures would make no difference to power security and bring only a small increase to the price of electricity.

Commonwealth Energy Minister Frydenberg said Hazelwood's closure would cost the average Victorian consumer \$86 per annum. But that is massively short of the mark – once wholesale energy costs are passed-on the average impact will approach \$500 and business users will pay far more. Meanwhile the Victorian and South Australian governments are busily subsidising new wind, solar, and batteries, and asking consumers to reduce their energy use, while spouting lies that prices will eventually fall.

The Commonwealth blames state governments but it has been equally guilty.

Labor's hostility to coal power, the backbone of Australia's electricity supply, has been only part of the reason for the disaster that has been created. The key instruments destroying the economics of the electricity industry are Commonwealth and State subsidies to renewables, subsidies that destroy the economics of coal and gas generators. The Liberals initiated the Commonwealth's subsidies, though the Rudd/Gillard government massively expanded them.

Last year, governments' electricity subsidies and regulations cost \$5 billion. That's \$600 for every household.

But the costs don't stop there.

The market distortions have brought vast spending on new wind and solar facilities - \$11 billion in 2017 alone. That spending bankrupts commercial plant like Hazelwood and higher prices follow.

Far from contributing to income, the renewable energy subsidies bring wealth reductions - they are just as destructive as government grants to foster spending on the creation of computer viruses.

Government sabotage of the gas supply industry is hardly less serious. In this case the blame rests squarely with state governments, Labor and the Coalition alike. The Victorian Coalition banned all gas exploration. They justified this on spurious safety grounds with regard to fracking, even though expert advice gave fracking technology a clean bill of health and we had the experience of two million such wells in the US alone without adverse incidents.

The Andrews government has gone even further in denying consumers cheaper gas by proclaiming it is, "Banning fracking once and for all". The outcome: Victoria with immense gas reserves now sees consumers with the highest prices in Australia.

Surely we deserve better political leaders. *Alan Moran is with Regulation Economics*